



## Applied Project Submission

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COURSE	BA Accounting and Finance
DISSERTATION TOPIC	Internal Control: How misleading information and bad management can affect Financial Statements and its taxation.
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WORD COUNT	6000 words
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**Internal Control: How misleading information and bad management can affect financial statements and its taxation.**

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November 2022

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## **Acknowledgements**

I would want to begin by saying thank you to my parents, Eduardo and Maria Helena, who worked hard throughout their lives to ensure that I had the opportunity to have a good education and never give up on my dreams. In addition, I'd want to express my gratitude to my significant other for all of the assistance and encouragement they've given me recently.

In addition, I'd want to express my appreciation to my supervisor, Declan, who was always there when I needed him and went out of his way to assist me.

I'm grateful to Independent College for their support in getting me set up for success and to the Irish community at large for welcoming and loving so many foreigners seeking a better life in Ireland.

## **Abstract**

This project is about internal control and how it may be used inside small and medium-sized enterprises (SME). The research conducted at this type of firm can help to define internal control procedures, analyse the control systems, and issue an opinion on the financial statements' integrity, and how those controls can affect taxation. This study highlights the importance of a straightforward approach when it comes to taxation such as VAT and Corporate Tax. Some operations, such as registering invoices or expenditure receipts, are sometimes overlooked. Most of the time, this is overlooked by people who are unaware of the significance of tracking these charges. And it is at this point that it becomes intriguing to integrate efficient management with internal process control, allowing reports to be trusted due to their veracity. Financial Statements are essential in a business setting since they give information about the company's performance and position in comparison to other rivals. The importance of bookkeeping and how it is done may have a favourable or bad impact on outcomes and, as a result, their taxation.

## **1.0 Introduction**

Maintaining operational effectiveness, producing performance reports that can be relied upon, and guaranteeing compliance are the three primary responsibilities of an organization's internal control function. However, internal controls frequently have limited access to consistent data that would enable them to carry out the functions described above. In addition, the discrepancy and lack of connection between a company's systems, together with a lack of technology or in-house capabilities, further exacerbates the situation. To overcome these issues, leadership within the firm needs to develop procedures that are standard across the organization. In addition, these procedures need to be backed up by an integrated internal control's structure, an extensive risk library, and advanced analytics. Without the appropriate data and tools, the internal control team will be unable to successfully manage risk, add value, or make choices based on accurate information. Because of this, the corporation runs the danger of not complying with the regulations. According to Graham (2008) it is possible to emphasize the function of accounting and administrative controls, as well as their contribution to the company's excellent performance and safety, by explaining the relevance and contribution of both to the attainment of internal control objectives.

### **1.1 Scope**

The scope of this study is to highlight the necessity of internal control in business management. Its utilization becomes essential for the company's security as well as to safeguard the administrator in his decision-making.

### **1.2 Vision and Mission**

The mission is to illustrate that effective internal control is critical for a company's survival in the present market. That is, the current study aims to contribute to the evolution of the issue in a pragmatic sense by demonstrating the practical impact of non-compliance (rather than compliance) with effective internal controls.

### **1.3 Objectives**

The purpose of this study is to highlight the necessity of internal control in business management. Its utilization becomes essential for the company's security as well as to safeguard the administrator in his decision-making. The mission is to illustrate that effective

internal control is critical for a company's survival in the present market. That is, the current study aims to contribute to the evolution of the issue in a pragmatic sense by demonstrating the practical impact of non-compliance with effective internal controls. Financial Statements are essential in a business environment since they give information about the company's performance and position in comparison to other rivals. And its use becomes critical for the security of the firm as well as to protect the administrator in his decision-making. The importance of bookkeeping and how it is done may have a favourable or bad impact on outcomes and, as a result, their taxation.

My goal with this project is to demonstrate several scenarios that may occur and the implications for the Financial Statement for tax reasons. This research seeks to highlight the significance of internal control for the commercial firm, emphasizing the need for every company to develop an internal control system to fulfil its tasks safely and efficiently in the market. Internal Control requires special attention from management since it will assist it in making crucial choices and protecting the company's assets from internal and external acts that may impact it (Hightower, 2009). Especially since a lack of this control might have an impact on the Financial Statement and the taxation that the firm is required to pay.

#### **1.4 Deliverables**

In many situations, small businesses underestimate the necessity of having a procedure for everything. Management procedures are just as essential as product and service quality, and they may have a good or negative impact on a company's bottom line. The ability to demonstrate and understand about procedures that might affect financial statements, in my opinion, will be the most significant consequence. A company's main elements are planning and control. However, I feel that this project will demonstrate to me how basic processes may be included into the day-to-day operations of a firm and its consequences. As a result, I hope that the ideas may focus on the process rather than just the financial numbers. Efficient management entails more than just financial control.

## 2.0 Literature Review

### 2.1 What exactly is internal control and its benefits.

*“Internal controls are more than rules; they embody a company’s principles, trust, values, and culture”* (Hightower, 2009). Indeed, internal control is one of the most effective and accurate methods of safeguarding information. It is used to prevent and examine problems in organizations, protecting their assets, and assuring correct departmental functioning. As suggested by KPMG, in *The KPMG Review Internal Control: A Practical Guide* (1999, p. 4), to reach the effectiveness of its internal control system, the business should establish a control system as a baseline. Accounting controls and administrative controls are two types of internal controls. Both are responsible for regulating, executing, and safeguarding activities in a way that helps to the company's market growth while also ensuring asset protection and the continuity of the flow of operations (Understanding internal control, 2022).

The control is preventative, detective, and corrective in character, with the purpose of achieving the goals stated in the company's strategy and ensuring market survival. The larger the company, the better the quality of their internal controls will be since they will have more power sources available (Heigham, 2011). According to Sinaga (2014), large are more likely to diversify their business operations than smaller companies. Also, accordingly, a less likelihood of financial trouble is associated with a larger company size (Zhafirah & Majidah, 2019).

In an auditing practice and research study, Srinidhi (1994) emphasizes that researchers must first understand how different duty combinations influence Internal control system (ICS) dependability. According to Srinidhi (1994) the division of tasks is critical in this assessment process. Function segregation the separation of bookkeeping and accounting report preparation from those involved to operations to avoid fraud and embezzlement (Simeon and Ifeanyichukwu, 2018).

Related to Financial Statements analysis, the task of bookkeeping is one that has the most impact in the growth of micro, small, and medium enterprises (Yap, 2019). It is stated in the studies of Aladejebi and Oladimeji (2019) that there two types of recording system, manual and computerized accounting system, where in the manual record is categorized by single and double entry bookkeeping system. Both, manual and computerized method of bookkeeping, the employee needs to rely on the chart of accounts, which it will assist to register activities to create the financial statements (Aladejebi and Oladimeji, 2019). It is observed that the



employee cannot have access to assets and accounting records since he could take possession of some asset of the company and change its record, making it difficult for internal control to discover the embezzlement. (Simeon and Ifeanyichukwu, 2018). For this and other reasons, segregation of duties is extremely important, so that the company's assets are protected against threats that may affect the proper functioning of the company (Srinidhi, 1994)

## **2.2 What can be the consequences of a lack of internal control?**

Internal control is critical for the company because the company's security is dependent on it, as well as the proper functioning of its departments, with the goal of achieving effective results and good performance of employees in their functions (Doyle, et al., 2005). All of this is done with the hope of achieving the goals indicated in the planning. However, according to Simeon and Ifeanyichukwu (2018) this does not always occur since businesses are vulnerable to mistakes, fraud, and embezzlement, which, depending on the effect, may result in an irreversible loss or even bankruptcy.

Fernandhytia and Muslichah (2020) demonstrated that internal control had a strong negative influence on embezzlement in research with 188 participants. This result shows confirm the firm must be ready for unexpected occurrences, and the best method to do so is to employ the internal control system that ensures the company's security. Furthermore, a lack of supervision in the company's selective recruiting process might have a negative influence, boosting frauds. According to Donelson, Ege, and McInnis (2014), there is a substantial link between material weaknesses and future fraud exposure. These might occur because of personnel not knowing the laws that must be followed, errors in transaction accounting, or misinterpretation of the information provided in the reports (Donelson, et al.,2014).

According to Lenard, Petruska, Alam, and Yu (2016), there is a positive association between organizations that claim internal control deficiencies and real-world activity manipulation. Control operations such as authorization and approval help to reduce the risk of improper transactions. (Minnesota Gov., 2020). An authorization system can control operations through approval and authorization measures, considering the responsibility and risks involved in such an operation (Lambert and Main, 1998). Fact necessary for the operation to be completed with maximum efficiency, all steps must be approved in accordance with the approval standards outlined in the organization's procedure manuals (Lenard, et al., 2016). It should be noted that the employee who approves cannot be the same person who permits it, as this would violate internal control regulations and enable the occurrence of fraud.

### **2.3 Limitations of Internal Control.**

An efficient internal control system cannot guarantee that the organization's management objectives will be met. That is impossible since internal control is ineffective without the involvement of management and employees (Limitations of Internal Control in Financial Reporting, 2014). As a result, it can provide reasonable security, because internal control relies on the human factor to achieve success in its execution (Cheney, 2020). A fully operating internal control system is dependent not just on the company's good planning and the effectiveness of the processes and practices in place. It also depends on the ability of all staff engaged to carry out the procedures that must be followed in an efficient and cost-effective manner. (Choudhary, 2021)

Cheney (2020) divided the limitations into five categories: Collusion, where there is a possibility that two or more workers will conspire to disrupt the operation of an internal control. Management Override, where any people could authorize an exception to an internal control. System error is a risk that automated systems can introduce. Human Error where the possibility is that the personnel have been poorly taught, lack experience, or make mistakes. And incorrect judgment where can come from of the possibility of misjudging procedures to appropriately reduce the risk to the business.

As it was said, the company must be prepared to avoid fraud and mistakes. Therefore, the control's duty is to detect the irregularity and how to respond in the face of a danger situation. (Auditing Standard No. 2 Appendix A Archived, n.d.) That is why the inefficiency in internal control must be addressed. (Quick Books, 2017) To have control over events inside the company, the regulations included in the manuals and the code of ethics must be followed correctly, and the accounting of operations must be done on a regular basis, since it is not just fraud that undermines the normal running of the firm (Mingacho, 2020). Inadvertent errors inside the company are another prevalent occurrence. These might occur because of personnel not knowing the laws that must be followed, errors in transaction accounting, or misinterpretation of the information provided in the reports.

### **2.4 Statement and internal control interaction.**

The goal of the Financial Statement Analysis is to examine and compare the equity components and operating outcomes. The analysis aims to uncover the antecedent and determining causes of the company's current situation, as well as serve as a starting point to describe its behaviour, via precise details of its composition (Altamuro and Beatty, 2009). For the administrator, the

data given is critical, thus the findings shown in reports must be genuine and clear, because it is through these analyses that decision-making and the fate of the firm are determined.

The accountant creates and distributes financial statements to shareholders, financial managers, and directors so that these statements may be transformed into knowledge and choices. Therefore, only analysing the financial records is not suitable for businesses. External variables should be investigated and considered. Using the diagnostic control system might be an excellent management strategy. According to Sheehan (2007) some of control includes creating mechanisms, including as budgets, cash forecasts, and balanced scorecards, that track the organization's actual performance versus plan and then investigating any significant discrepancies. According to Bowen (2009), there is a significant correlation between the level of training in business management, particularly with regard to the keeping of financial records for businesses, and the overall performance of a company.

Feng et al. (2015) propose that some controls play a role in both operational and financial sector, which is beneficial on both the quality of financial reporting and the performance of business.

The information derived from the balance sheet analysis is directed both internally and externally, and it is not confined to the computation of merely performance indicators. (Koo and Ki, 2020) In order for the analysis to represent the reality of a firm, the accounting expert must be confident in the figures depicted in the Financial Statements and who accurately reflect the entity's true net worth and equity (Serafeim, 2011).

## **2.5 Internal control procedures that are effective.**

Management control is seen as the process of influencing the behaviour of the organization's members, increasing the probability of people behaving to achieve the organization's objectives. (Flamholtz, 1979) This definition complies with the idea that management control is seen as the process of influencing the behaviour of the organization's members. The motivation of individuals or groups is the key element, it is not about controlling people's behaviour in a predetermined way, but rather influencing them to act in a way that is compatible with the organization's objectives. (Pfister, 2022)

It is necessary that all components of the organization be engaged in the change for the implementation of internal control to be successful in the organization. For instance, the employees are the ones who need to stick to the change and order themselves to adhere to the

proposed requirements for the change to be successful in the organization. It is necessary to identify the risks to which companies are exposed, through a detailed analysis of the internal and external environment of the organization, in the strategic, operational, and financial scope, so that the company can make decisions in the present that can bring more satisfying results in the future. (Collier, Berry, and Burke, 2007). This is provided that the actions taken are viable from the point of view of both the operational and financial aspects of the business. (Cohen and Kida, 1989)

For Lambert and Main (1998) administrators play an important part in the goals that the organization has set, and for the organization to achieve its goals. According to Mingacho (2020) it is necessary to adhere to an adequate internal control that encourages a variety of different possibilities of changes to the traditional methods of carrying out the operational activities of the institution. According to Aladejebi and Oladimeji (2019) the roles that is applied in a company is important with matters pertaining to taxes. It is essential to maintain accurate records for a company to calculate the correct amount of taxes that need to be paid to protect itself from being overtaxed or undertaxed, depending on the circumstances.

The administrators of the company are responsible for continually strengthening the internal control system, with the overarching goal of safeguarding the assets of the company. Sheehan (2007) believes that to achieve this objective, the administrators must implement preventative measures that render illegal acts committed by employees impossible. It is feasible, considering the organization plan, to emphasize the components that constitute the accounting controls. One of components are the segregation of functions which according to Pfister (2022) refers to the practice of separating activities linked to operations, such as bookkeeping and the compilation of accounting reports, from those activities dedicated to preventing fraud and embezzlement. The employee must not have limited access to the company's assets and accounting records. (Gramling and Schneider, 2018) This is because the employee could potentially take possession of some asset of the company and change its record, which would make it difficult for the internal control to discover the embezzlement. For this and other reasons, it is extremely important to have segregation of duties, so that the company's assets are protected against dangers that may affect the company's ability to operate effectively. (Hightower, 2009). Also it is important to mention the authorization system controls operations through approval and authorization measures, taking into consideration the responsibility and risks involved in such an operation. For Lambert and Main (1998) it means that for the operation to be completed with maximum use, all steps must be approved in accordance with the approval standards that are made available in the organization's procedure manuals.

It is essential that the fact that the employee who ratifies something cannot also be the person who permits it be taken into consideration. Not only would this violate the guidelines for proper internal control, but it would also make it easier for fraudulent activity to take place. (Choudhary, 2021). And the registration system that includes the presence of a chart of accounts to simplify the process of registering transactions and generating financial statements. (Lambert and Main, 1998)

### **3.0 Methodology**

Internal control plays an important part because it protects the public entity through preventive guidelines in the accounting, financial, economic, patrimonial, and administrative areas. These preventive guidelines are always developed with the goal of conforming to the guiding principles of public administration, preserving resources, and protecting property assets. It is of the utmost importance to be aware of the general sentiments of workers about the distribution of tasks as well as their comprehension of internal control. Many workers are completely unaware of the significance of their position. And the degree to which a decision made by a firm affects the outcomes of its business. The success of a corporation might be negatively impacted by incompetent management. This may occur if operational and accounting procedures are not sufficiently monitored.

Therefore, the data was gleaned through a study that included responses from forty general employees who were given questionnaires to fill out about the internal control system used by their respective firms. In addition to this, interviews were conducted with five individuals who were connected to the accounting environment. As both, quantitative and qualitative approaches were used in the investigation, it would give more understanding the relationship with employers and employee.

#### **3.1 Strategy of the Research**

According to Igwenagu (2016) methodology consists of the theoretical analysis of a branch of knowledge's set of methods and principles. When doing research, it is essential to have a solid understanding, based on numbers, of the pattern of employee behaviour. In addition to this, it is essential to consider the fact that the facts do not include any ambiguities. Therefore, it is possible to get a good picture of the profile of the employee and the behaviour that they exhibit while working for the firm, as well as how those things vary in relation to the size of the

organisation. When the survey is applied to employee participants, their points of view may be brought up in connection to the procedures that are specified. The perspective of those who are responsible for carrying out a procedure should also be taken into consideration since they are the ones who are most familiar with both its benefits and its drawbacks.

### **3.2 Sampling technique**

The purpose of the quantitative method was to gather data from employees in general, regardless of whether or not they were based in Ireland, with the end goal of correlating the size of the firm with the particular internal control it had. Participants who had knowledge of internal processes and how they correlate with the income statement were included in the sample, along with people who did not have such understanding. In the qualitative approach, participants were chosen because of their prior professional experiences in the areas of management and internal control. People who deal directly or indirectly with management accounting, in which they are required to have an understand of the tasks accomplished by the team to deliver more accurate results. The quantitative research approach consisted of eleven direct and multiple-choice questions concerning the participants' places of employment's internal control. In addition, questions about the participant's understanding on the definition of the process enforced by the firm and the significance of the process were addressed. Also, one of the open-ended questions in the survey inquired about the participants' thoughts on what aspects of internal control may be enhanced to make them more effective and efficient. The quantitative survey reached forty individuals, some of whom were familiar with administrative procedures and some of whom were not. During the qualitative study, a total of five different questions were asked on different aspects of management and internal control. Three different participants were given the five questions, all of which are or were connected to the field of accounting in some way. They were questioned to get a greater level of knowledge from this study. The topic of management accounting served as the focal point of the questionnaire, the purpose of which was to explore the factors that contribute to the effectiveness and incorporation of processes within an organisation. In addition, we will discuss the procedures that are implemented inside a small firm, as well as the most difficult difficulties that are encountered by managers.

### **3.3 The justification for the approach used**

In the quantitative part of the study, the purpose of the chosen sample participants that were selected was to bring about a broad sense of understanding and awareness of straightforward day-to-day procedures. The idea that the participants' thoughts on internal control, as well as areas in which it may be strengthened, would be more clearly articulated if the issue were left open-ended.

### **3.4 Ethics**

The goal of research ethics is to provide a theoretical reflection of the practical actions that researchers do on a day-to-day basis during their research with the people who participate in that study. The findings that were discovered in this study were the result of free and unprompted responses from the participants. They were made aware that the findings that were obtained would be used just for the purpose of this study and that they would be kept confidential. These interpretations were founded on respect for ethical standards and were derived from socially created moral standards. A field of study known as ethics, often known as moral philosophy, has as its primary focus the behaviours of humans and the underlying ideas that guide those activities. (Cottrell et al., 2011) Participating in a poll conducted on the internet was required for the procedure. They were made aware that I would maintain the confidentiality of their replies and that I would not save any personally identifiable information such as their names, email addresses, or IP addresses. They were also advised that the survey questions would concentrate on either their typical responsibilities at their current job or their responsibilities at past employment. Participants in the qualitative method of research were also informed about the Freedom of Information Act, according to which they had the right to view the information I have submitted at any time while it is being stored in the manner described above. This information was kept in the same manner as described above.

## **4.0 Findings**

In this chapter, the survey respondents' questions and answers are presented. This chapter also contributes to the evaluation of a comprehensive study of the replies, which helps to uncover all the important patterns pertaining to the issue. The use of this data analysis helps to have a better understand of internal control within companies. The first question on the survey asked where the participant's company was located. The idea that the culture of other countries can have a substantial impact on the leadership style and lead to a distinct perspective on

management is at the foundation of this question. (Rao-Nicholson et al., 2020) Most participants worked or still work for businesses that are based in Ireland. And only roughly 7.5% of those who responded did not have jobs located within Ireland, which results would not have a negative impact on the findings.

The qualitative method was also applied in the research, to bring detailed descriptions of variants associated, tracking unique or unexpected events, shedding light on how people with different roles and stakes experienced and interpreted events. (Luciano, 1999) Questions were addressed in both quantitative and qualitative methodologies derived from research question, research objectives, and literature review supports the procedure's logic.

This chapter is organised around the questions, given in the quantitative survey and project themes to make data display and analysis easier.

#### **4.1 Analysis and Triangulation**

##### **Theme 1 – What is exactly Internal Control and its benefits.**

Participants were questioned (Question 2) regarding the size of the organisation that they were employed by. They have been provided with specifics regarding the categorization of small, medium, and big sized businesses. Because of this, it might be easier for them to categorise the firm for which they work, given that many people do not have sufficient information about their organisation. Many people were employed by small businesses; thus, it was to be expected that these businesses would have fewer divisions and less stringent internal control methods. On the other hand, a significant proportion of the participants were employed by or worked for large corporations. Therefore, contrary to what is typically the case in smaller businesses, they could have a greater number of departments and more tightly managed systems. Questions concerning the organisation and its divisions were posed to the participants. The examples of departments such as Human Resources, Finance, and Production were given as an illustration. The findings demonstrated that most businesses comprised departments. It's possible that the findings of 15% of medium-sized organisations and 37.5% of large enterprises are connected to the total of 62.5% of respondents who said "yes" to this question. During the qualitative study, participants were questioned about whether or not it would be more difficult to execute processes in smaller organisations and why they thought this would be the case.

Reasons that were mentioned in the answers:



Participant 1: Yes, two scarce resources are: time and money.

Participant 2: Yes. Fewer Employees, weak technologic system, manual processes

Participant 3: "...reluctance of employees regarding the adoption of steps."

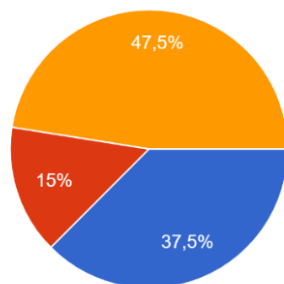
Internal controls are directly and proportionally linked to the size of an organisation. This means that by size, in addition to its physical structure, both the speed and volume of financial activities that are carried out by companies are considered. As mentioned before, because larger companies have access to a greater variety of power sources, the quality of the internal controls at those companies tends to improve along with their size (Heigham, 2011)

## Results quantitative research

### Question 2

Is the company you work for considered Small, Medium or Large Sized Enterprise? Considering that:

40 respostas

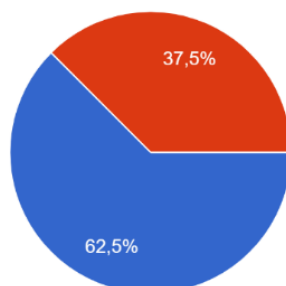


- Large Enterprise: Employees > 250 / Annual Turnover > €50m / Annual Balance Sheet > €43m.
- Medium Sized: Employees > 50 < 250 / Annual Turnover ≤ €50m / Annual Balance Sheet ≤ €43m.
- Small Enterprise: < 50 Employees / Annual Turnover and Balance Sheet ≤ €10m.

### Question 3

Is the company you work for structured by departments, such as Finance, Production and Human Resource?

40 respostas

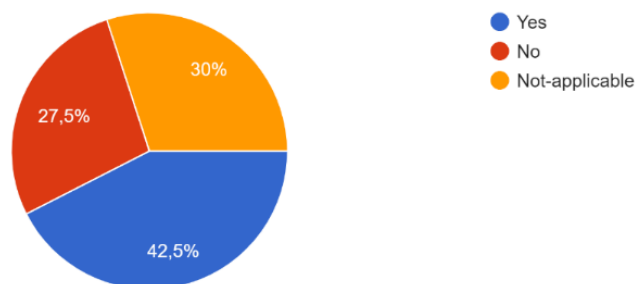


- Yes
- No

#### Question 4

If it is applicable, is the Department of Finance divided by finance function, such as Accounting and Audit Department, Financial planning & budgeting, Receivables and Payables Department?

40 respostas



#### Theme 2 – What can be the consequences of a lack of internal control?

Questions regarding the department of accounting and finance were posed to the participants. This search was conducted with the goal of narrowing down candidates to businesses that had departments that were organised according to function. Because of this, the answer "not applicable" was provided as an option for this question. The response "not applicable" also gives the impression that the participant is unfamiliar with your organisation. A positive number of 42.5% was brought about because of the investigation's findings; this percentage is associated with businesses that keep a higher hierarchical position and more internal control. Approximately thirty percent of the responses said that the company did not have the separation of the departments that were listed. However, this influences how the subsequent questions are evaluated.

It is to be expected that there will be better advice on how procedures should be carried out when there is a division of departments, and it is additionally anticipated that there will be more hierarchy for the approval of these procedures. When asked if the organisation was structured into departments, 62.5% of respondents indicated "yes," yet of those same respondents, 32.5% reported that they did not receive direction on purchases and payments when it was required to buy goods. This multiple-choice question was open-ended. Management presented the annual budget when there was an answer, indicating a more structured organisation. This budget was only shared with "relevant" members. Again, a hierarchical company may have better internal control. Participants were asked if orders needed budget approval. Forty percent of the replies said that yes, they did require budget approval. The participants were questioned about the

potential risks that internal control failures can affect to the organisation. The following are some of the risks that were mentioned on the interview:

Participant 1: *“things could be walking out of your business without you knowing”*

Participant 2: *“potential material misstatement”, “misstating the financial statements is a much greater risk and leads to much greater consequence for a business.”*

Participant 3: *“negative influence on profits or for there to be incorrect results in the financial statements when there is no control within a corporation”*

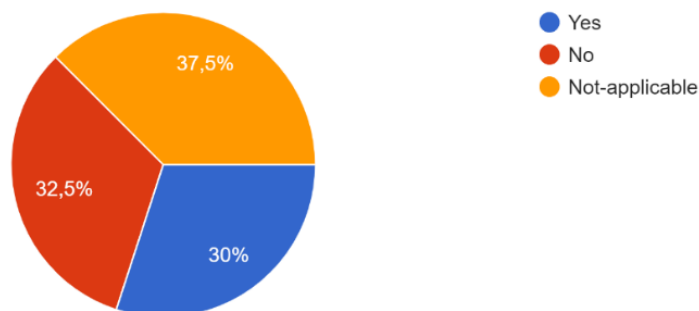
What can be assumed analysing the quantitative survey, is that it demonstrates a flaw in the internal control system, specifically that staff may not have been given adequate instruction on the appropriate way to carry out financial activities. All of the procedures need to be approved in accordance with the standards that are stated in the organization's procedure manuals. This is a need that must be met for the operation to be carried out with the utmost effectiveness (Lenard, et al., 2016). A failure in financial control could influence the company's ability to control costs and, as a result, the outcomes that are reflected in the financial statements.

## Results quantitative research

### Question 5

Have you been instructed on how to place an order and pay the supplier when you need to purchase?

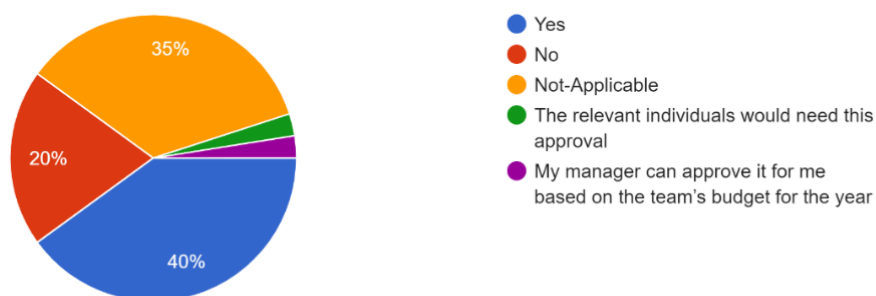
40 respostas



## Question 6

Do you need any budget approval of a Finance Team / Managers for purchasing something related to your department?

40 respostas



### Theme 3 – Limitations of Internal Control.

When it came to putting processes into place in the company, they were asked if there were any delays or negative effects on their work. 72.5 % are under the impression that the implementation of processes won't have a negative effect on the organisation. The deployment of processes is thought to deliver greater control to the organisation, which would bring more benefits than it would bring harm. People were asked if they thought their work helped make financial management better. There were 5 possible answers to this question, ranging from "I agree" to "I strongly disagree." 52.5% of the people who answered think their work can help make financial control better. Integration between sectors is also important when it comes to how well decision makers can work together. When managers of different departments can work together, it's easier for them to make action plans that work better and promote a culture where everyone works together.

During the qualitative study, participants were asked what the challenges are that a bookkeeper would encounter to offer more accurate and quicker results. Some of the answers were:

Participant 1: *"Planning and access to information are probably the two main things"*

Participant 2: *"Bookkeepers might not have sufficient tax knowledge"*

Participant 3: *"Time and right software are some challenges about bookkeeping"*

As mentioned before, accordingly to Choudhary (2021), a well-functioning internal control

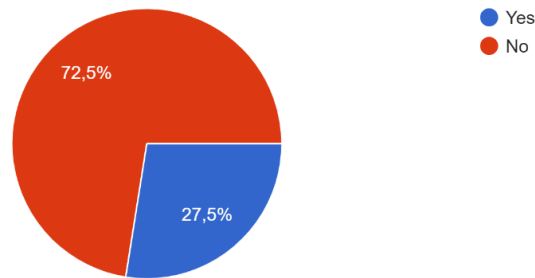
system depends on more than just the company's planning and operations. All workers must be able to follow processes efficiently and cost-effectively.

### Results quantitative research

#### Question 7

Do you believe that introducing processes in the organisation would cause a delay or have a negative influence on your work?

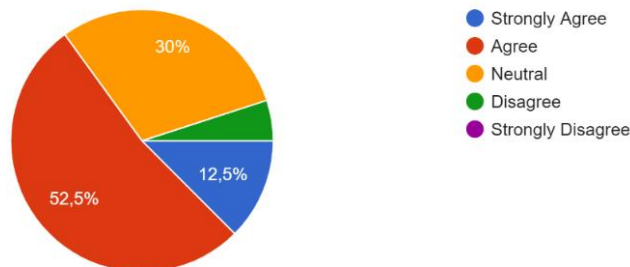
40 respostas



#### Question 8

Do you agree that what you are currently doing at work helps to improve financial control?

40 respostas



### Theme 4 – Statement and internal control interaction.

Participants were asked if they have access to financial data, and budgets and changes were talked about at the meeting. The importance of this inquiry lies in the fact that it makes people think about how much the organisation depends on the contributions of its employees. If the company is as open as possible, people are more likely to work toward new goals. The organisation can have a defined aim, like rectifying the error, giving the team time to reflect about what happened, or preserving a successful approach. Most participants, precisely fifty percent of the responses, claimed that they were presented the results. And the other half said that they were unable to access the information that was requested, or not being provided.

Sheehan (2007) suggests using budgets, cash forecasts, and balanced scorecards to track the organization's performance against plan and investigate any substantial deviations. According to Bowen (2009), there is a significant correlation between the level of training in business management, particularly regarding the keeping of financial records for businesses, and the overall performance of a company. During the qualitative study, participants were questioned about the advantages and limits of management accounting information and reports. Some of the responses were as follows:

Participant 1: *“It’s fundamental” “In our business they capture a full month rather than a shorter amount of time”*

Participant 2: *“have appropriate financial knowledge to make informed business decisions”*

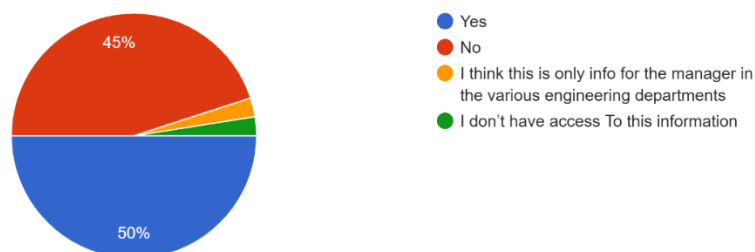
Participant 3: *“You can track and control how well the business does.”*

## Results quantitative research

### Question 9

Is there a comparison of the actual financial data with the budgets and an explanation of the variances presented in the meetings?

40 respostas



### Theme 5 - Internal control procedures that are effective.

Training employees can improve both the quality of their work and the techniques they use on the job. Despite this, just 42.5% of respondents hold this belief. 35% of the participants did not have an opinion on the matter. It's possible that this is due to a lack of information regarding the procedures of internal control and the impacts they have. Or it may be connected to the notion that their task was unimportant, and that it would be more productive if it were done by individuals holding more senior positions in the organization's hierarchy. Sheehan (2007) believes that to strengthening the internal control measures it would include the segregation of interests, employee rotation, the maintenance of control accounts, and physical counts of the

products. In response to the question 11 of whether there was a separation of responsibilities, 42.5% of respondents said "agree." This reveals that somewhat more than 15% of respondents work or have worked in small organisations, which, in contrast to large companies, do not typically follow the practise of segregating responsibilities. In response to the question of whether the respondents' organisation possessed robust internal control, one can see that opinions are split down the middle. On a scale that ranges from "Strongly agree" to "Strongly Disagree," 47.5% of respondents think they were a part of an organisation that had efficient control.

During the interview, the participants were asked what sorts of approaches they would consider beneficial in order to achieve greater participation from workers in respect to internal control. And according to them:

Participant 1: To provide *“The knowledge and the whereabouts to actually understand the control that we need to implement”*

Participant 2: *“interactive approach to training with real examples of where internal controls fit into the overall picture of the business and its financial statements”*

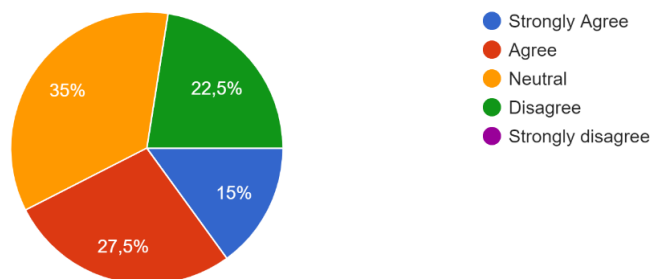
Participant 3: *“demonstrating and explaining how the business performance is to department managers, they can be more engaged in achieving goals.”*

## Results quantitative research

### Question 10

Are there adequate training programs available to increase competency and ability on new rules and procedures?

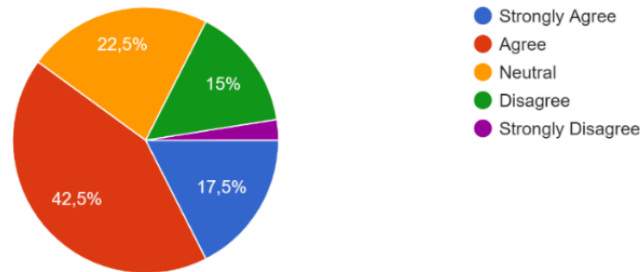
40 respostas



## Question 11

Are responsibilities distributed such that no single person is in charge of all stages of a transaction?

40 respostas



## 5.0 Limitations, recommendations, and conclusion

### 5.1 Limitations

This piece of study had some limitations in terms of its development, such as the amount of time that was expected for its completion. This was since the gathering of information was dependent on the availability of participants to answer the questionnaires. Another drawback is that most of the respondents did not have English as their first language, which may have contributed to their inability to comprehend the research questions.

### 5.2 Recommendations and conclusion

This project study suggests that an appropriate internal control system is necessary for the organisation to achieve its aims and objectives. And the ways in which management may contribute to the organization's success. Internal control is one of the most common ways that audits are done. The reports produced, and therefore the findings, shows that company's structure can directly affect its strategy by organising how its employee's work. It's intimately tied to the organization's culture and leadership style. The suggestions for improvement of internal control procedures includes qualification and training; results reporting to supervisors and management; effective and reliable software; increasing the bookkeeper's tax expertise, as well as establishing clear lines of responsibility.

The study addressed the fundamentals of internal control and provided a thorough analysis of its constituent pieces considering the relevant literature. The internal control of processes and



procedures is meaningless if the staff isn't invested in the success of the business and willing to work together to accomplish its objectives. What I learned is that the most crucial step in making sure controls operate is implemented properly, so that there are no surprises when the data is given to accounting. It is important that the management provides each worker information where they stand in terms of autonomy, collaboration, and other employees.

Accounting is the part of the business that gets information from the most different parts of the business and turns it into useful information for managers. This means that accounting is a good place to check whether the internal controls are accurately showing changes in equity and to check for errors and fraud that may have happened at some point.

Based on the findings, I can say that Internal control efficiency, and the processes in the firm, are strong connected to the size of the organisation. There is a direct correlation between the leadership style and the effectiveness of internal controls. Also, it is highly significant that firm gives training to the staff, and it might limit the misstatements. There is a connection between the trustworthiness of the company's reported performance and the quality of its leadership and processes. and the effect it has on taxation. Keeping monitoring, keeping correct records, would minimise overpaying or underpaying taxes.

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